

Project title: **Business Plan Presentation “5dotSoftware”**

Course name: **Technological Entrepreneurship**

Course number: EMGT 510/610

Term and Year: Fall 2004

Instructor: Charles Weber, Ph.D.

Authors:

- Nizar Almani
- Guvenc Eren
- John Freeman
- Kiatiphong Lertsathitphong
- Wael Mohamed-Refie

Abstract: the primary mission of 5dotSoftware is to enhance interaction among Internet users by removing barriers to communication. Our team has a multicultural perspective that presents a promising potential for the future. This diversity will grant us a unique point of view when working with other developers worldwide, particularly when it comes to adding additional language translations. When we incorporate the team’s backgrounds with their youth, energy, patience and hunger for new product development, 5dotSoftware is a winning business from the start.

5dotSoftware

Business Plan

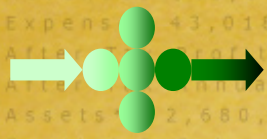
Nizar Almani

Guvenc Eren

John Freeman

Kiatiphong Lertsathitphong

Wael Mohamed-Refie



The presentation Agenda

■ **Company overview**

■ **Management Team**

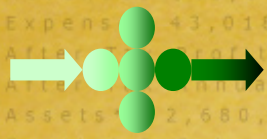
■ **Market Analysis**

■ **Technology overview**

■ **Marketing plan**

■ **Financial plan**

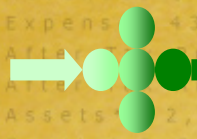




Company Overview

Mission

**Become the leader
in online translation technology
within 5 years**

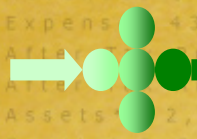


Why Provide Translation?

■ Of the roughly 800 million Internet users, only 35% are native English speakers

■ Now, more domains are registered outside of the U.S. than within the U.S.

■ 22% of the worldwide Internet users are native Chinese or Japanese speakers

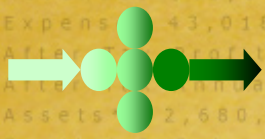


Why Provide Translation?

■ In the U.S. “Of the 4.1 million Asians, 56% do not speak English ‘very well’ ” (60% speak Chinese/Japanese)

■ Chinese & Japanese Internet usage is increasing at annual rate of 15-20%

■ Worldwide online: 110 Million Chinese speakers and 67 Million Japanese speakers



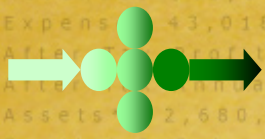
Company Overview

Our aim is to build an online text translation system for the Internet

We will focus on the following user groups

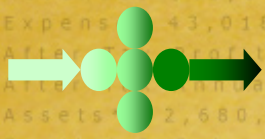
■ **Consumers: providing translation for Instant Messaging**

■ **Business: providing translation for better communication among international locations**



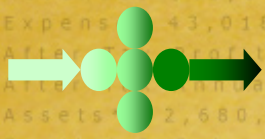
Company Strategy

- We will build a translation service that can enhance any chat system
- Believe this is the best way to reach highest number of users quickly
- Will focus on Chinese and Japanese to start
- Will add additional language according to demand



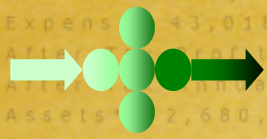
Financial Teaser

- We are looking for a \$1 Million investment to start our company
- We anticipate at least \$5 Million annual revenues in year 5



Management Team

- **John Freeman - Acting CEO**
- **Kiatiphong Lertsathitphong - COO**
- **Nizar Mohammad Almanie - VP of Marketing**
- **Guvenc Eren - VP of Technology**
- **Wael Mohamed-Refie - Controller**



Market Analysis

Market size

■ 1,000 ISPs in North America

■ 225 million Internet users

■ 157.5 million IM users.

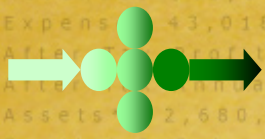
■ tourism, education, government, and immigration.

Table shows market data of targeted home users

Segment	Actual number	% of internet users	% of IM users	% penetration of IM language translation users	Annual charge
US tourists to China	900,000	69	70	75	\$12
Chinese immigrants to the US	45,000	30	50	75	\$12

Table shows calculation of market potential of target home users in users and dollars unit

			Market potential	
			In users	In dollars
Segment	# of internet users	# of IM users	# of expected customers	Expected income
US tourists to China	621,000	434,700	326,025	\$3,912,300
Chinese immigrants to the US	13,500	6,750	5,063	\$60,750
Total			331,088	\$3,973,050



Market Analysis (cont'n)

■ *Market Potential (Home user market)*

■ Home users

■ Characteristics

■ Online chatters who use our software via ISPs

■ Informal communications

■ Needs

■ Easy to use

■ Enhanced features such as grammar checking

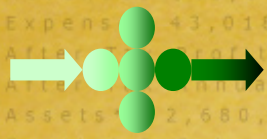
■ Business users

■ Characteristics

■ Professional environment or Int'l corporation

■ Needs



■ Security



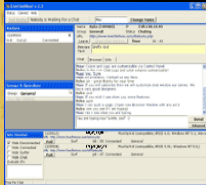
Market Analysis (cont'n)

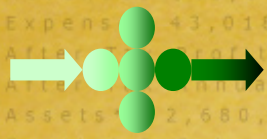
Competitors analysis

Home users providers

Type of Competitors	Strengths	Weaknesses	Competitive advantages
	<ul style="list-style-type: none"> - Spell- check - Dictionary option 	<ul style="list-style-type: none"> - Large functionality - Not as profitable because of smaller customers based 	<ul style="list-style-type: none"> - Spell- check - Ability to design different kind of system package
	<ul style="list-style-type: none"> - Better connection. - Better financial position than other type of competitors. - Offering a wide and diverse product line 	<ul style="list-style-type: none"> - Higher price - Lack on focus on detail - Not as profitable because of smaller customers based 	<ul style="list-style-type: none"> - Early start. - automatically check spelling - Change translation direction of a selected language pair

Business providers

Type of providers	Strengths	Weaknesses	Competitive advantages
	<ul style="list-style-type: none"> - Better understanding to the technology. - Providing real time responses. 	<ul style="list-style-type: none"> - High price - Spell-check 	<ul style="list-style-type: none"> - Customers can access immediate assistance from their sale and support person - Can targeting the marketing by tracking the visitors of the site



Development Timeline

Formation of 5dot Software

1st prototype translation engine

Web translation version 1.0 (WT v1.0 Japan)

Business tools prototype & WT v1.5 (add China)

BT v1.0 & WT v2.0 (possibly more languages)

BT v1.2 & WT v2.1

BT v1.5 & WT v2.2

Jan,
2005

Jun,
2005

Jan,
2006

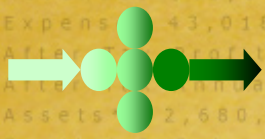
Jun,
2006

Jan,
2007

Jan,
2008

Jan,
2009

Jan,
2010



Technology Overview

What are we building?

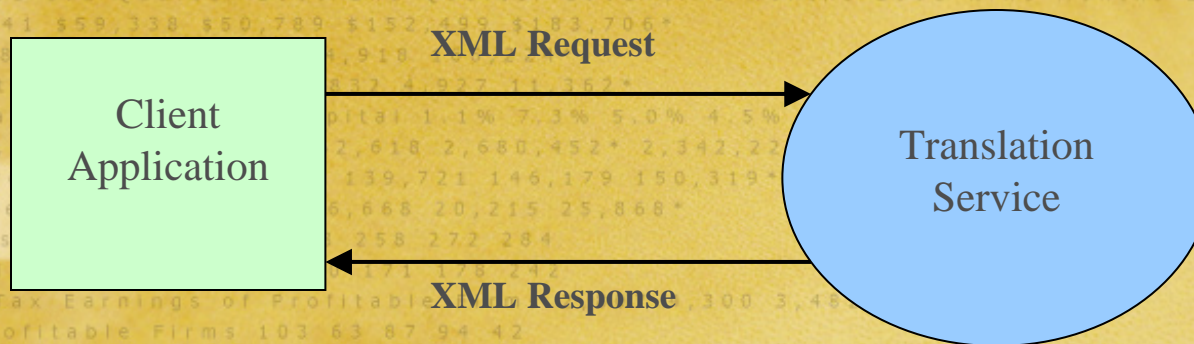
■ **An text translation service**

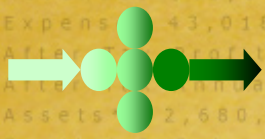
■ **Providing an XML Web Service interface**

■ **Easily integrates with existing systems**

■ **Numerous development tools support the service model.**

■ **Initially, Soap over HTTP protocol ... and then other bindings as needed.**





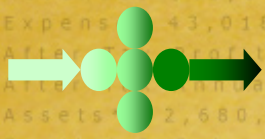
Technology Overview (2)

How will it work?

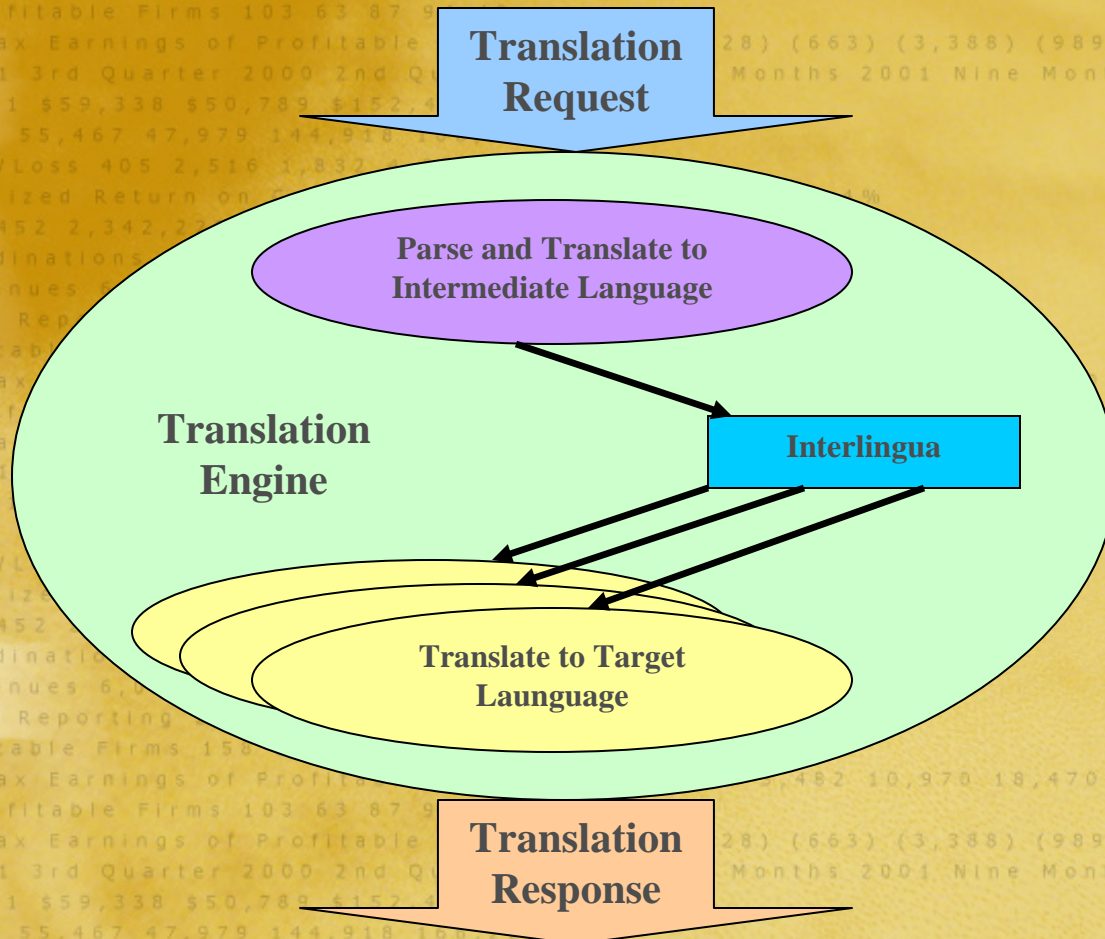
- Translate from source to intermediate language
- Analyze and apply rules to clean up the result
- Provide ability to translate result back into source to verify meaning (is this what you meant?)
- Translate intermediate result into target language(s)

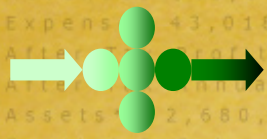
How will we make it better?

- Provide feedback loop
- Develop rules specific to certain domains (travel, geography, conversation, physics, etc...)



Technology Diagram



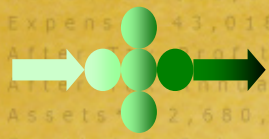


Marketing Plan

Marketing Mission:

“Become the leader in online translation technology within 5 years”

John Freeman, the CEO of 5dotsoftware

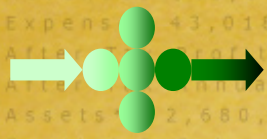


Why the Customer survey

■ **Customers survey..... customers..... Customers..... Customers**



to have a better understanding of the customer's need, we decided to have a customers survey



Customers survey

Customers
Survey

Home users
5 Customers

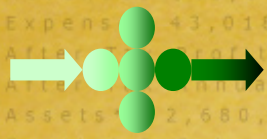
Business Users
5 customers

Customer Survey Process

Make customers
selection

Interview customers

Use Conjoint
Method to analyze
The customers need



The customers survey

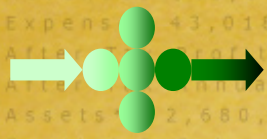
Customers consider about:

Accuracy

Price

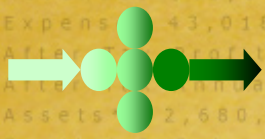
Ease of use

Completeness



The survey result

Importance	High	Low	Range	Normalized	Final result
Accuracy	50%	14%	36%	16%	0.16
Price	64%	14%	50%	22%	0.22
Ease of use	57%	14%	43%	19%	0.19
Completeness	100%	0%	100%	44%	0.44
Total					2.29



Marketing Mix

Marketing Mix

Place

Promotion

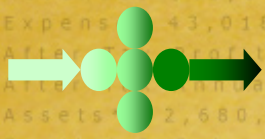
Price

Direct Channel

Personal Selling

Haggling

Stander retail



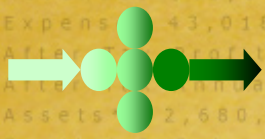
Pricing strategy

A. Set Price Pricing Models at 5dotsoftware

Price Model	Definition	Segment Examples
Standard Retail	Our customers set a fixed price, and we either accept or not. Periodic price changes occur based on historical market condition	Business users. Intel, Nike, Hp, and Ford

B. Negotiated Price Pricing Models

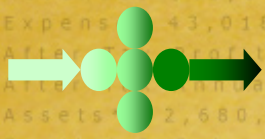
Pricing Model	Definition	Examples
Haggling	We set the price and then our customers negotiate the final price with us.	Technical users ISP'S users



Promotion strategy

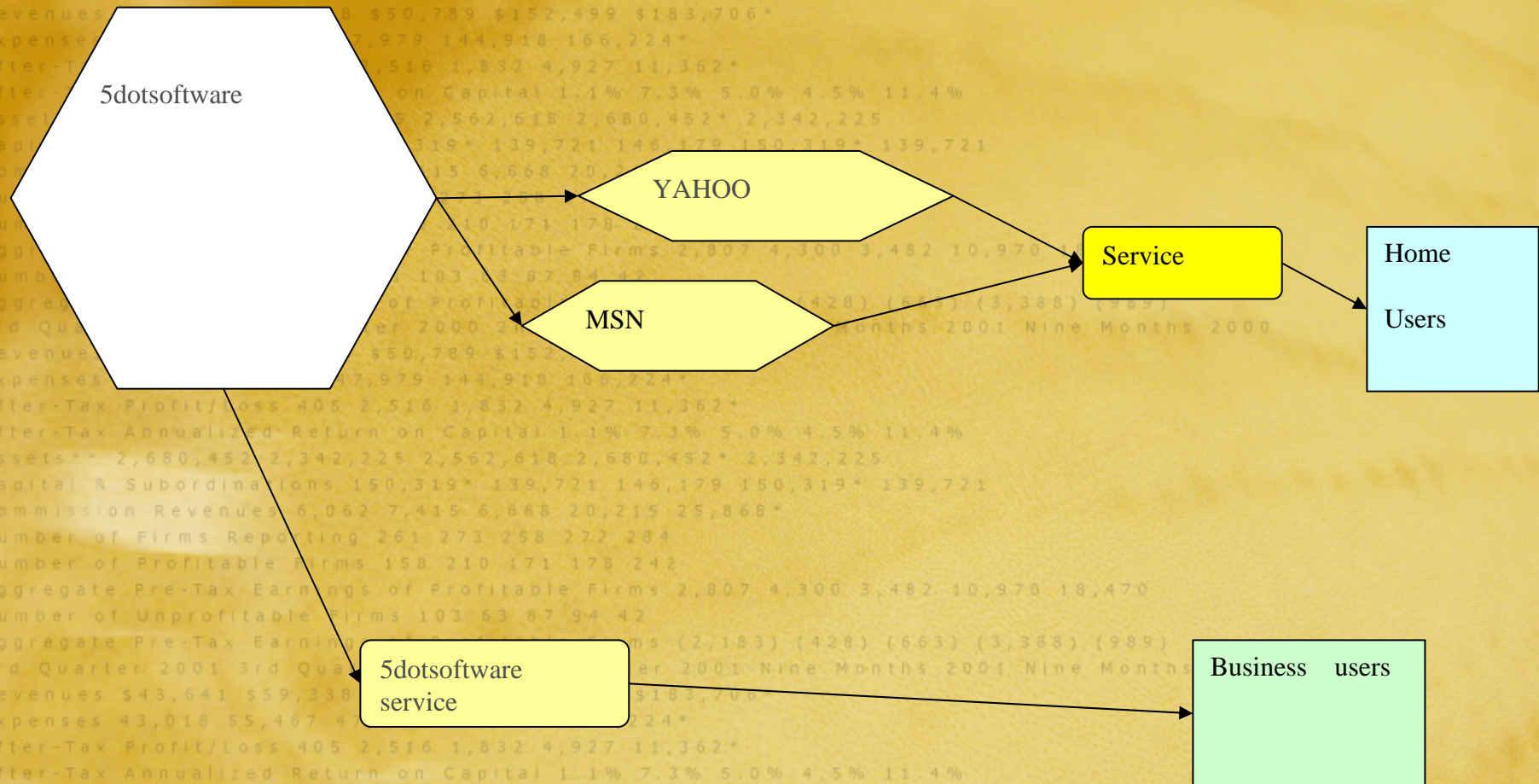
■ Use personal selling method

2005	2006	2007	2008	2009
-the marketing manager acts as a sale manager - everyone acts as a salesman and gets 2.5	Hire 1 salesman \$2000	Hire 2 Salesmen \$2000	Hire 3 salesmen \$2000	Hire 4 Salesmen \$2000



Distribution strategy

Direct Sale channel



POSITIONING AND BRANDING STRATEGY

We differentiated out product by two
meaningful value drivers

Completeness

Low

High

High

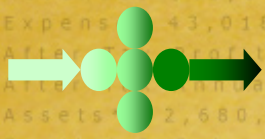
Cost

Average

Multicity
Reinventing Dialogue

5dotSoftware

 **online translation**
IMTRANSLATOR



Finance Plan

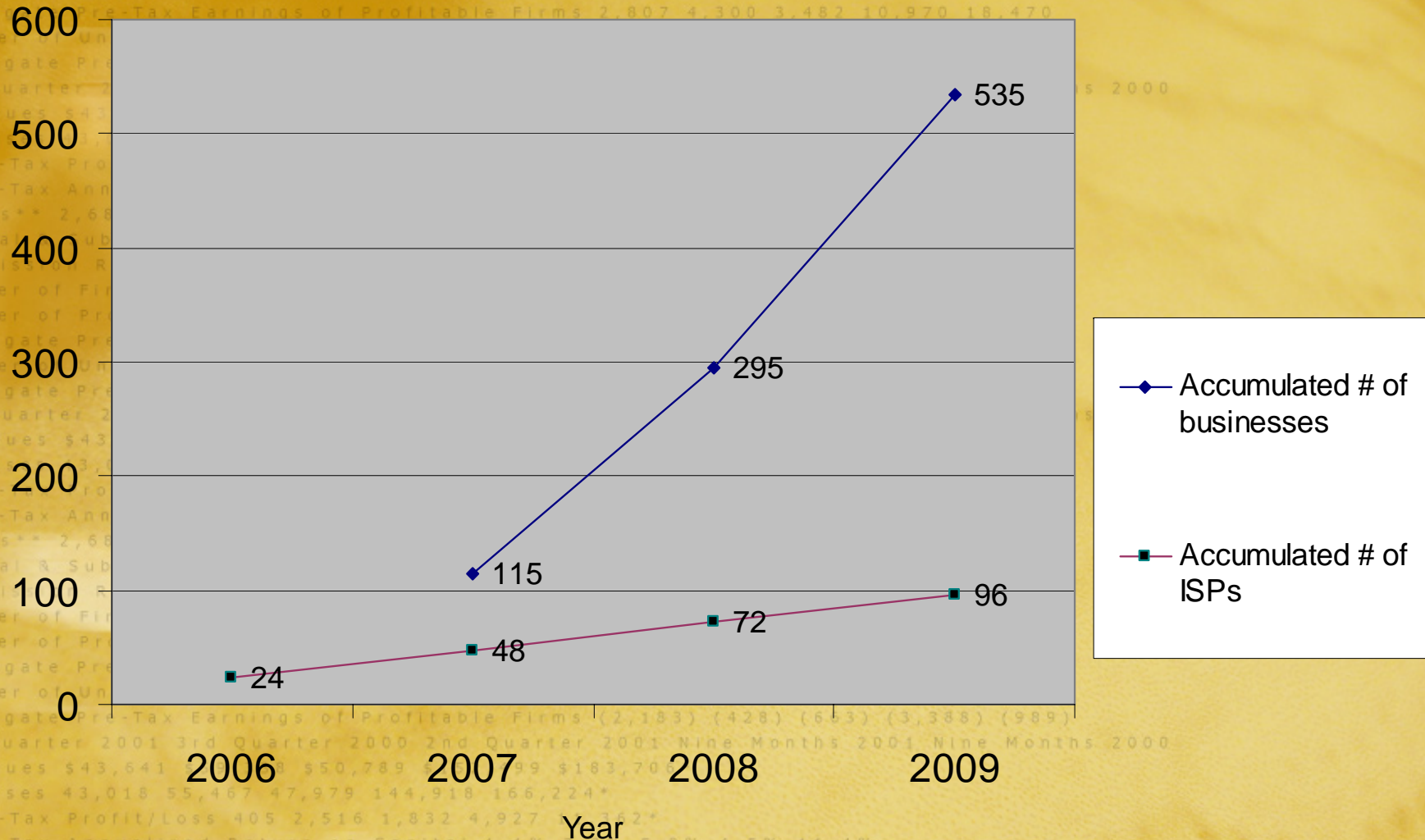
Guidelines

- Profitability at the end of year three
- Total capital needs of \$1.2 million
 - \$1 million from venture funding
 - \$200,000 from team members
- Build the translation engine during the 1st year
- Begin marketing it to ISPs in the 2nd year
- Complete the business tools product at the end of the second year and will begin business sales in year three
- Provide the product to the customers according to yearly leasing plan. That will help the company compete against other companies and achieve high annual revenues.

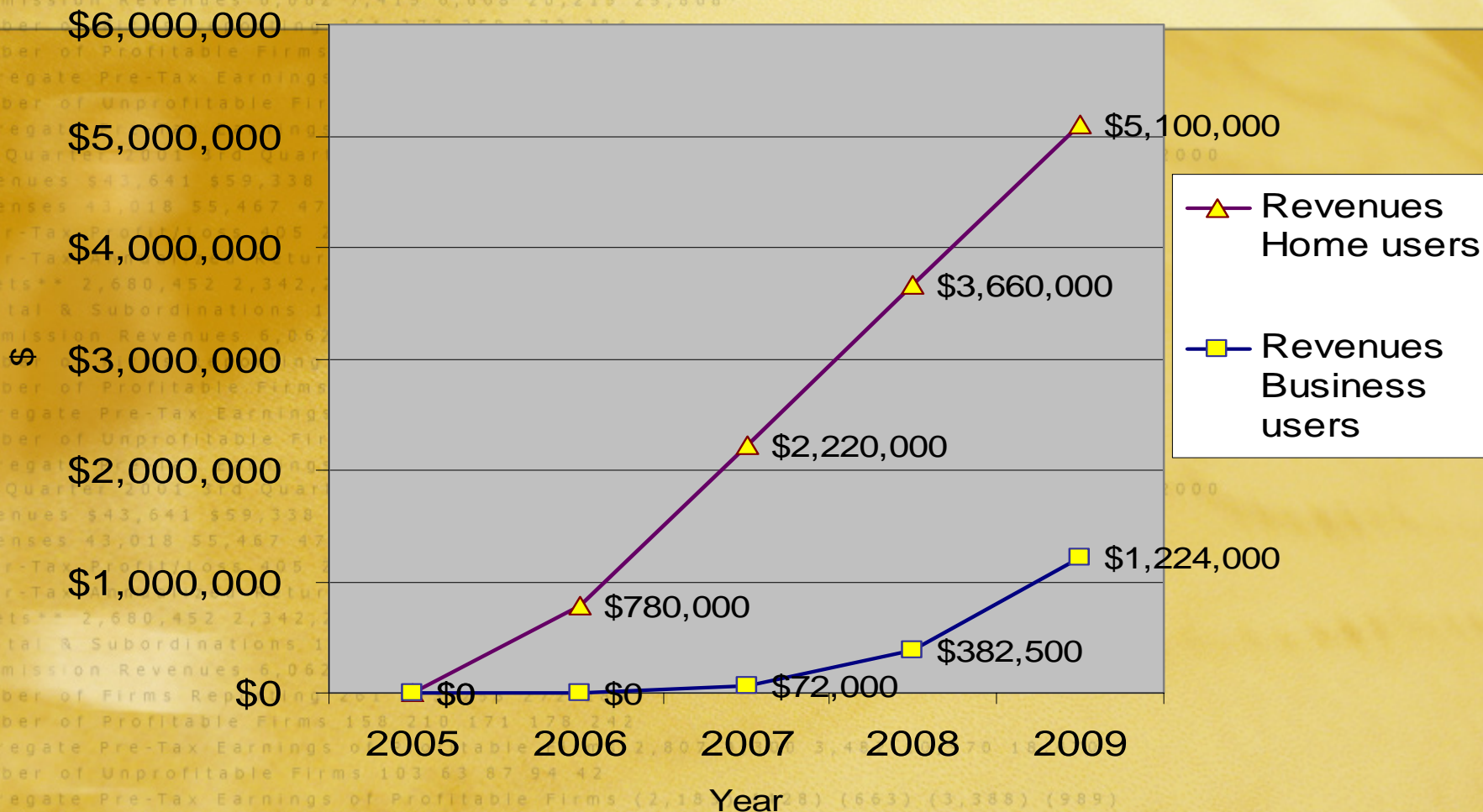
Goals

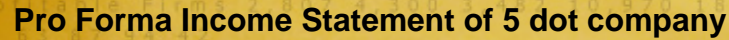
- Reaching annual revenues of at least \$5 million in year 5
- Recouping investor funds through a public offering after year 5

The expected number of customers (Buisnesses & ISPs)



Revenues increasing rate





3rd Quarter 2001 3rd Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000
 Revenues \$43,641 \$59,338 \$50,789 \$152,499 \$183,706*
 Expenses 43,018 55,467 47,979 144,918 166,224*
 After-Tax Profit/Loss 405 2,516 1,832 4,927 11,362*
 After-Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4%
 Assets 2,680,452 2,342,225 2,562,618 2,680,452* 2,342,225
 Capital & Subordinations 150,319* 139,721 146,179 150,319* 139,721
 Commission Revenues 6,062 7,415 6,668 20,215 25,868*
 Number of Firms Reporting 261 273 258 272 284

Number of Profitable Firms 158 210 171 178 242

Pro Forma Balance Sheet of 5 dot company as of December 31

Number of Unprofitable Firms 103 63 87 94 42

Aggregate Pre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,388) (989)

	Dollars					Vertical Analysis in percentage					Horizontal Analysis in percentage			
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	05-06	06-07	07-08	08-09
Assets														
Current Assets														
Cash	\$717,890	\$280,355	\$734,295	\$2,253,168	\$5,007,317	96%	50%	59%	77%	85%	-156%	62%	67%	55%
Accounts Receivable	\$0	\$114,800	\$243,390	\$392,735	\$592,088	0%	21%	20%	13%	10%	100%	53%	38%	34%
Inventory	\$0	\$0	\$0	\$0	\$0	0%	0%	0%	0%	0%				
Total Current Assets	\$717,890	\$395,155	\$977,685	\$2,645,903	\$5,599,405						-82%	60%	63%	53%
Fixed Assets														
Property, Plant, and Equipment	\$37,500	\$199,500	\$361,500	\$457,500	\$553,500									
Accumulated depreciation	(6,150)	(38,850)	(103,950)	(188,250)	(291,750)									
Total Fixed Assets	\$31,350	\$160,650	\$257,550	\$269,250	\$261,750	4%	29%	21%	9%	4%	80%	38%	4%	-3%
Total Assets	<u>\$749,240</u>	<u>\$555,805</u>	<u>\$1,235,235</u>	<u>\$2,915,153</u>	<u>\$5,861,155</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	-35%	55%	58%	50%

Liabilities & Owners' Equity

Current Liabilities

Accounts Payable	\$3,500	\$3,675	\$3,859	\$4,052	\$4,254	1%	1%	0%	0%	0%	5%	5%	5%	5%
Total Liabilities	\$3,500	\$3,675	\$3,859	\$4,052	\$4,254						5%	5%	5%	5%

Owners' Equity

Venture funds	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	182%	281%	97%	37%	18%	0%	0%	0%	0%
Retained earnings	(\$454,260)	(\$647,870)	\$31,376	\$1,711,101	\$4,656,900	-83%	-182%	3%	63%	82%	30%	2165%	98%	63%
Total Liabilities and Owners' equity	<u>\$749,240</u>	<u>\$555,805</u>	<u>\$1,235,235</u>	<u>\$2,915,153</u>	<u>\$5,861,155</u>	<u>136%</u>	<u>156%</u>	<u>119%</u>	<u>107%</u>	<u>104%</u>	-35%	55%	58%	50%

Pro Forma Cash Flow statement of 5 dot company

		Dollars					Vertical Analysis in percentage					Horizontal Analysis in percentage			
		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	05-06	06-07	07-08	08-09
Operating activities															
Total Receipts	\$0	\$665,200	\$2,163,410	\$3,893,155	\$6,124,647							100%	69%	44%	36%
Total payment	\$444,610	\$877,733	\$1,069,030	\$1,158,466	\$1,310,632							49%	18%	8%	12%
Deferred income taxes	\$0	\$63,002	\$478,440	\$1,119,817	\$1,963,866							100%	87%	57%	43%
Net cash flow from operat'g act'y	(\$444,610)	(\$275,535)	\$615,940	\$1,614,873	\$2,850,149							-61%	145%	62%	43%
Investment activities															
Capital investment	\$37,500	\$162,000	\$162,000	\$96,000	\$96,000							77%	0%	-69%	0%
Financial activities															
Venture funds	\$1,000,000	\$0	\$0	\$0	\$0										
Start-up capital	\$200,000	\$0	\$0	\$0	\$0										
Net cash flow	\$717,890	\$280,355	\$734,295	\$2,253,168	\$5,007,317							-156%	62%	67%	55%

Financial summary

Financial ratios

Net worth

Year 1	Year 2	Year 3	Year 4	Year 5
\$745,740	\$552,130	\$1,231,376	\$2,911,101	\$5,856,900

Debt Management Analysis

Debt Ratio

0.0046714	0.00661203	0.0031239	0.00138987	0.00072584
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Liquidity Analysis

Current Ratio

205.11	107.53	253.37	653.04	1316.18
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Quick Ratio

205.11	107.53	253.37	653.04	1316.18
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Asset Management Analysis

Total Assets Turnover

0.00	1.40	1.86	1.39	1.08
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Profitability Analysis

Profit Margin on Sales

N/A	-16.74%	30.31%	41.55%	46.58%
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Return on Total Assets

-47.26%	-20.82%	75.39%	78.75%	65.54%
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Break-even point

The end of the third year

NPV

\$1,989,852

Q & A

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 After-Tax Profit/Loss 405 2,516 1,832 4,927 11,362*
 After-Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4%
 Assets** 2,680,452 2,342,225 2,562,618 2,680,452* 2,342,225
 Capital & Subordinations 150,319* 139,721 146,179 150,319* 139,721

Customers' benefit (ISPs)

Expected potential size of language IM market (US market)

157,000,000 IM users (US data 2004)

5.0%

7,850,000 Language IM users

\$12 of revenue / user / year

\$94,200,000 Annually expected potential market of language IM users

7,850,000 Language IM users

3,140,000 Language IM users (40 % belongs to big three ISPs)

4,710,000 Language IM users excluding cus from Yahoo, AOL, and MSN

\$56,520,000 Annually expected potential market of language IM users

4,710,000 Language IM users belonging to Small and Medium ISPs

divided by 1,000 Small and Medium ISPs

4,710 Avg # of potential IM users subscribing to S&M-ISPs

Invest OR \$5,000 per month

Invest \$60,000 per year

Break-even if charge @ \$13 per subscriber per year

Profit 20% @ \$72,000 of revenue

Profit 20% @ \$15 per subscriber per year